

On the 'restricted cointegration test' as a test of the rational expectations hypothesis*

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One of the main consequences of the 'cointegration revolution' on the domain of the direct tests of the rational expectations hypothesis (REH) was the substitution of the 'restricted cointegration test' (RCT) for the 'unbiasedness test'. However, the results of a Monte Carlo study show that a simple t-test can be much more powerful than the RCT. It is argued that the RCT is adequate to investigate the 'asymptotic rationality' but that it is not sufficient to assess the Muthian rationality of expectations. The discussion is empirically illustrated with the test of the REH for the Portuguese retail trade inflation expectations.